

**STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, Suite 1700
Sacramento, California 95814**

**File No. RH003031215
May 18, 2004**

SUBJECT: AUTOMOBILE INSURANCE CONSUMER SERVICES ASSESSMENT

INITIAL STATEMENT OF REASONS

The Insurance Commissioner of the State of California (Commissioner) proposes to add Subchapter 10, Article 4, Section 2698.68 of Title 10, Chapter 5 of the California Code of Regulations (CCR) regarding the assessment for the funding of consumer services functions relating to automobile insurance. The purpose of the proposed adoption is to implement, interpret and make specific the provisions of the California Insurance Code (CIC) section 1872.81 requiring the Commissioner to assess automobile insurers to fund consumer services functions of the California Department of Insurance CDI relating to automobile insurance.

DESCRIPTION OF THE PUBLIC PROBLEM

The Commissioner proposes to add Subchapter 9, Article 5, Section 2698.68, Title 10, Chapter 5 of the CCR regarding the program for assessing insurers for the purpose of funding the consumer services functions of the CDI relating to automobile insurance. The purpose of the proposed addition is to implement, interpret and make specific the provisions of the CIC section 1872.81 which requires the Commissioner to assess automobile insurers \$.30 to fund the CDI's consumer service functions relating to automobile insurance.

SB 940, Chapter 884, Statutes of 1999, was signed by the Governor on October 9, 1999. SB 940, inter alia, added CIC 1872.81. CIC section 12921 requires the Commissioner to enforce the provisions of the Insurance Code and other laws regulating the business of insurance in the State of California. CIC section 1872.81, requires the Commissioner to establish an annual assessment on each automobile for which a policy of insurance has been issued in order to fund the Consumer services function of the Department relating to automobile insurance, specifically including the rating and underwriting services bureau, the claims services bureau, the investigations bureau or any successor bureaus of the department that may assume the consumer services functions of these bureaus.

The proposed amendment is necessary to implement, interpret and make specific the provisions of CIC sections 1872.81 and to conform the methodology for calculating and collecting the assessment with that currently be proposed as amendments to provisions of title 10, CCR sections 2698.61 and 2698.62. The proposed action would specify the criteria for the calculation and payment of the annual assessment.

STATEMENT OF SPECIFIC PURPOSE

The specific purpose of each adoption, and the rationale for the determination that each adoption is reasonably necessary to carry out the purpose for which it is proposed, together with a description of the public problem, administrative requirement, or other condition or circumstance that each adoption is intended to address, is as follows:

Section 2698.68 Annual Fee

Delete text requiring that the assessment be paid on a prorated quarterly basis.

Rational for Necessity

CIC section 1872.81 requires that every insurer doing business in this state pay \$.30 for each vehicle it insures under a policy of insurance in this state. This statute does not prescribe the methodology to use in calculating the assessment. The provisions of the existing regulation provide that insures conform to title 10 CCR section 2698.62 and pay the “annualized \$.30 assessment in prorated payments of \$.075 per quarter.

This section makes clear and specific a method for the assessment as set forth in statute. Consistent with the proposed revisions of the similar assessment program the payment of this assessment will no longer be prorated. This section continues to expressly incorporate the methodology for calculating and collecting the assessment as set forth 10 CCR section 2698.62 but deletes the reference to prorated payment. Conforming these provisions to the proposed related program is efficient and provides an ease of administration by both insurers and CDI. Providing a uniform methodology for the calculation prevents an unnecessary expense otherwise needed to operate disparate assessment procedures.

IDENTIFICATION OF STUDIES

The Commissioner has not relied on any technical, theoretical, or empirical study or report, or similar document, proposing the adoption of these regulations.

SPECIFIC TECHNOLOGIES OR EQUIPMENT

Adoption of this regulation as proposed would not mandate the use of specific technologies or equipment.

ALTERNATIVES

In accordance with Government Code Section 11346.5(a)(12) the Commissioner must determine that no alternative considered by the CDI would be more effective in carrying out the purpose for which the action was taken or would be as effective and less burdensome to affect private persons than the emergency action. These regulations are being amended to make more specific and clear both the provisions of the enabling statute and existing regulatory scheme as well as to conform the provisions of this assessment program to a related but distinct existing assessment program. No other

alternatives are considered available to accomplish these goals. The public is invited to submit such alternatives during the public comment process.

EVIDENCE RELIED UPON TO SUPPORT INITIAL DETERMINATION THAT REGULATION WILL NOT HAVE A SIGNIFICANT ADVERSE ECONOMIC IMPACT ON BUSINESS (GC 11346.2(B)(4))

This requirement does not effect the amount of the assessment due as required by the by existing statute. This regulation would only establish a more specific methodology for the calculation and collection of the existing assessment.